SUNCORP

ASX announcement

7 November 2018

Suncorp Bank APS330 Update

Suncorp Group (ASX: SUN | ADR: SNMCY) today provided its quarterly update as at 30 September 2018, as required under Australian Prudential Standard 330.

Total lending grew 0.5% over the quarter, with the home lending portfolio remaining comfortably within macroprudential limit settings.

Suncorp Banking and Wealth CEO David Carter said the result reflects the Company's ongoing commitment to responsible and sustainable lending practices, in what remains a competitive market.

"Growth in the home lending portfolio mirrored the previous quarter, up 0.8% or $361 million. Suncorp remains focused on driving sustainable, profitable growth within our current risk appetite. We expect the focus on additional verification requirements for home lending customers will contribute to an ongoing moderation of growth in home lending over FY19," Mr Carter said.

"Business lending growth contracted slightly over the quarter, with moderate growth in our commercial and small business portfolios offset by a reduction in agribusiness lending following the repayment of debt.

"We are targeting new business, across all sectors, in line with our risk appetite. While parts of the agricultural sector continue to face challenges, we are optimistic about the economy, which continues to benefit from a relatively weaker Australian dollar, a strengthening resources sector and historically low interest rates.

"Credit quality remains strong with a net positive movement in impairment losses, driven by a small number of one-off customer recoveries. Gross impaired assets of $140 million remained broadly stable over the quarter."

In line with the broader industry, wholesale funding costs continue to be impacted by the elevated Bank Bill Swap Rate (BBSW). Suncorp issued a five-year $750m covered bond to support a sustainable and diversified funding base and achieved a strong increase in at-call deposits, growing 4.7 times system over the quarter. Suncorp's Net Stable Funding Ratio was 111% as at 30 September 2018.

Following the payment of the 2018 financial year interim dividend to Suncorp Group, Banking's Common Equity Tier 1 ratio of 8.9% reflects a sound capital position towards the upper end of the target operating range of 8.5% to 9.0%.

Ends

For more information contact:

Media	Nadia Farha	+61 408 535 993 nadia.farha@suncorp.com.au
Analysts and Investors	Kelly Hibbins	+61 414 609 192 +61 2 8121 9208 kelly.hibbins@suncorp.com.au

SUNCORP GROUP LIMITED

SUNCORP BANK

APS 330

FOR THE QUARTER ENDED 30 SEPTEMBER 2018

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SUNCORP

Suncorp Group Limited
ABN 66 145 290 124

BASIS OF PREPARATION

This document has been prepared by Suncorp Bank to meet the disclosure obligations under the Australian Prudential Regulation Authority (**APRA**) Australian Prudential Standard (**APS**) 330 *Public Disclosure*.

Suncorp Bank is represented by Suncorp-Metway Limited (**SML**) and its subsidiaries. SML is an authorised deposit-taking institution (**ADI**) and a wholly owned subsidiary of Suncorp Group Limited. Suncorp Group is represented by Suncorp Group Limited and its subsidiaries.

Other than statutory information required by a regulator (including APRA), all financial information is measured in accordance with Australian Accounting Standards. All figures have been quoted in Australian dollars and have been rounded to the nearest million.

This document has not been audited nor reviewed in accordance with Australian Auditing Standards. It should be read in conjunction with Suncorp Group's consolidated annual and interim financial reports which have been either audited or reviewed in accordance with Australian Auditing Standards.

Figures relate to the quarter ended 30 September 2018 (unless otherwise stated) and should be read in conjunction with other information concerning Suncorp Group filed with the Australian Securities Exchange (**ASX**).

DISCLAIMER

This report contains general information which is current as at 7 November 2018. It is information given in summary form and does not purport to be complete.

It is not a recommendation or advice in relation to the Suncorp Group and Suncorp Bank or any product or service offered by its entities. It is not intended to be relied upon as advice to investors or potential investors, and does not consider the investment objectives, financial situation or needs of any particular investor. These should be considered, with or without professional advice, when deciding if an investment is appropriate.

The information in this report is for general information only. To the extent that the information may constitute forward-looking statements, the information reflects Suncorp Group's intent, belief or current expectations with respect to our business and operations, market conditions, results of operations and financial condition, capital adequacy, specific provisions and risk management practices at the date of this report. Such forward-looking statements are not guarantees of future performance and involve known and unknown risks and uncertainties, many of which are beyond Suncorp Group's control, which may cause actual results to differ materially from those expressed or implied.

Suncorp Group and Suncorp Bank undertake no obligation to update any forward-looking statement to reflect events or circumstances after the date of this report (subject to ASX disclosure requirements).

Registered office

Level 28, 266 George Street
Brisbane Queensland 4000
suncorpgroup.com.au

Investor Relations

Kelly Hibbins
EGM Investor Relations
0414 609 192
(02) 8121 9208
kelly.hibbins@suncorp.com.au

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OVERVIEW

During the September quarter, total lending growth was $265 million or 0.5%. The home lending portfolio grew $361 million, up 0.8% over the quarter, within a competitive and slowing mortgage market. The home lending portfolio remains comfortably within macroprudential limit settings as Suncorp continues to be selective in its target markets. The business lending portfolio contracted $90m or 0.8% over the quarter, with moderate growth in the commercial and small business portfolios offset by a reduction in agribusiness lending following customers repayment of debt.

Suncorp continues to employ disciplined and responsible lending practices maintaining sound credit quality. The transition to AASB 9 Financial Instruments (AASB 9) increased the collective provision in the balance sheet by $20 million on 1 July 2018. Following the adoption of AASB 9, provisions are expected to be more variable from period to period reflecting the increased sensitivity of the modelling to changes in economic conditions and the risk profile of Suncorp's lending portfolio; and the movement of exposures across credit stages.

A net positive movement in impairment losses was driven by a small number of one-off customer recoveries and an improvement in the risk profile of the lending portfolio, as assessed under AASB 9.

Gross impaired assets of $140 million remained broadly stable over the quarter. Past due retail loans grew by 5.2% to $510 million over the quarter, primarily driven by an increase in customer tenure in late stage arrears. Suncorp's approach to management of arrears is continually reviewed to improve outcomes for all stakeholders.

Wholesale funding costs continue to be impacted by the elevated Bank Bill Swap Rate (BBSW). During the quarter, Suncorp continued to support its sustainable and diversified funding base by issuing a five-year $750m covered bond. Suncorp also achieved a strong increase in at-call deposits, growing 4.7 times system over the quarter. The Net Stable Funding Ratio (NSFR) was 111% as at 30 September 2018.

Following payment of the 2018 financial year final dividend to Suncorp Group, Banking's Common Equity Tier 1 (CET1) ratio of 8.9% reflects a sound capital position towards the upper end of the target operating range of 8.5% to 9.0%.

OUTLOOK

The moderation of home lending growth is expected to continue, driven by a slowing market and impacts associated with regulatory reforms. Suncorp will target above system growth in both home lending and business lending for the financial year, provided that pricing and lending criteria remain within the portfolio tolerance settings, noting the impact that ongoing drought conditions may have on the agribusiness portfolio.

Suncorp will continue to maintain a conservative risk appetite, with no material changes in any segment. While impairments could be impacted by economic factors and ongoing drought conditions, they are expected to remain below the bottom end of the through-the-cycle operating range of 10 to 20 basis points of gross loans and advances.

Suncorp continues to target above system growth in at-call customer deposits, leveraging the investments made in enhanced digitial and payment capabilities. Sustained pressure from price competition and elevated funding costs is expected to result in a FY19 net interest margin at the low end of the 1.80% to 1.90% target range.

Expected impacts of the Basel III reforms and APRA's roll-out of unquestionably strong benchmarks cannot be confirmed until APRA releases the draft standards, which is assumed to be in early 2019.

LOANS AND ADVANCES

	Quarter Ended			Sep-18	Sep-18
	Sep-18	Jun-18	Sep-17	vs Jun-18	vs Sep-17
	$M	$M	$M	%	%
Housing loans	40,469	41,159	38,473	(1.7)	5.2
Securitised housing loans and covered bonds	7,496	6,445	7,441	16.3	0.7
Total housing loans	**47,965**	**47,604**	**45,914**	0.8	4.5
Consumer loans	**169**	**175**	**250**	(3.4)	(32.4)
Retail loans	**48,134**	**47,779**	**46,164**	**0.7**	**4.3**
Commercial (SME)	6,494	6,402	6,036	1.4	7.6
Agribusiness	4,353	4,535	4,425	(4.0)	(1.6)
Total Business loans	**10,847**	**10,937**	**10,461**	(0.8)	3.7
Total lending	**58,981**	**58,716**	**56,625**	**0.5**	**4.2**
Other lending	14	12	19	16.7	(26.3)
Gross loans and advances	**58,995**	**58,728**	**56,644**	0.5	4.2
Provision for impairment	**(143)**	**(130)**	**(140)**	**10.0**	**2.1**
Total loans and advances	**58,852**	**58,598**	**56,504**	**0.4**	**4.2**
Credit-risk weighted assets	**27,348**	**27,234**	**26,579**	**0.4**	**2.9**
Geographical breakdown - Total lending					
Queensland	31,533	31,005	29,770	1.7	5.9
New South Wales	15,419	15,624	14,936	(1.3)	3.2
Victoria	6,042	6,079	5,869	(0.6)	2.9
Western Australia	3,559	3,587	3,737	(0.8)	(4.8)
South Australia and other	2,428	2,421	2,313	0.3	5.0
Outside of Queensland loans	27,448	27,711	26,855	(0.9)	2.2
Total lending	**58,981**	**58,716**	**56,625**	**0.5**	**4.2**

IMPAIRMENT LOSSES ON LOANS AND ADVANCES

	Quarter Ended			Sep-18	Sep-18
	Sep-18	Jun-18	Sep-17	vs Jun-18	vs Sep-17
	$M	$M	$M	%	%
Collective provision for impairment	(6)	(2)	1	200.0	n/a
Specific provision for impairment	1	7	3	(85.7)	(66.7)
Actual net write-offs	2	7	1	(71.4)	100.0
Impairment losses	**(3)**	**12**	**5**		
Impairment losses to gross loans and advances (annualised)	**(0.02%)**	**0.08%**	**0.04%**		

IMPAIRED ASSETS

	Quarter Ended			Sep-18	Sep-18
	Sep-18	Jun-18	Sep-17	vs Jun-18	vs Sep-17
	$M	$M	$M	%	%
Retail lending	40	37	35	8.1	14.3
Agribusiness lending	37	51	73	(27.5)	(49.3)
Commercial/SME lending	63	56	55	12.5	14.5
Gross impaired assets	**140**	**144**	**163**	**(2.8)**	**(14.1)**
Specific provision for impairment	(38)	(39)	(43)	(2.6)	(11.6)
Net impaired assets	**102**	**105**	**120**	**(2.9)**	**(15.0)**
Gross impaired assets to gross loans and advances	**0.24%**	**0.25%**	**0.29%**		

NON-PERFORMING LOANS

	Quarter Ended Sep-18 $M	Jun-18 $M	Sep-17 $M	Sep-18 vs Jun-18 %	Sep-18 vs Sep-17 %
Gross balances of individually impaired loans					
Gross impaired assets	140	144	163	(2.8)	(14.1)
Specific provision for impairment	(38)	(39)	(43)	(2.6)	(11.6)
Net impaired assets	**102**	**105**	**120**	**(2.9)**	**(15.0)**
Size of gross individually impaired assets					
Less than one million	34	32	38	6.3	(10.5)
Greater than one million but less than ten million	91	97	73	(6.2)	24.7
Greater than ten million	15	15	52	-	(71.2)
Gross impaired assets	**140**	**144**	**163**	**(2.8)**	**(14.1)**
Past due loans not shown as impaired assets	**554**	**541**	**443**	**2.4**	**25.1**
Gross non-performing loans	**694**	**685**	**606**	**1.3**	**14.5**
Analysis of movements in gross individually impaired assets					
Balance at the beginning of the period	144	140	173	2.9	(16.8)
Recognition of new impaired assets	16	29	19	(44.8)	(15.8)
Increases in previously recognised impaired assets	1	1	1	-	-
Impaired assets written off/sold during the period	(1)	(5)	(3)	(80.0)	(66.7)
Impaired assets which have been reclassed as performing assets or repaid	(20)	(21)	(27)	(4.8)	(25.9)
Balance at the end of the period	**140**	**144**	**163**	**(2.8)**	**(14.1)**

PROVISION FOR IMPAIRMENT

	Quarter Ended			Sep-18	Sep-18
	Sep-18	Jun-18	Sep-17	vs Jun-18	vs Sep-17
	$M	$M	$M	%	%
Collective provision					
Balance at the beginning of the period	91	93	96	(2.2)	(5.2)
AASB 9 transition adjustments [1]	20	-	-	n/a	n/a
Charge against impairment losses	(6)	(2)	1	200.0	(700.0)
Balance at the end of the period	**105**	**91**	**97**	**15.4**	**8.2**
Specific provision					
Balance at the beginning of the period	39	38	44	2.6	(11.4)
Charge against impairment losses	1	7	3	(85.7)	(66.7)
Impairment provision written off	(1)	(5)	(3)	(80.0)	(66.7)
Unwind of discount	(1)	(1)	(1)	-	-
Balance at the end of the period	**38**	**39**	**43**	**(2.6)**	**(11.6)**
Total provision for impairment - Banking activities	**143**	**130**	**140**	**10.0**	**2.1**
Equity reserve for credit loss (ERCL)					
Balance at the beginning of the period	88	83	82	6.0	7.3
AASB 9 transition adjustments [1]	9	-	-	n/a	n/a
Transfer (to) from retained earnings	6	5	(1)	20.0	(700.0)
Balance at the end of the period	**103**	**88**	**81**	**17.0**	**27.2**
Pre-tax equivalent coverage	147	126	116	16.9	26.7
Total provision for impairment and equity reserve for credit loss - Banking activities	**290**	**256**	**256**	**13.4**	**13.3**

	%	%	%
Specific provision for impairment expressed as a percentage of gross impaired assets	**27.1**	**27.1**	**26.4**
Provision for impairment expressed as a percentage of gross loans and advances are as follows:			
Collective provision	0.18	0.15	0.17
Specific provision	0.06	0.07	0.08
Total provision	0.24	0.22	0.25
ERCL coverage	0.25	0.21	0.20
Total provision and ERCL coverage	0.49	0.43	0.45

(1) Changes in recognition and measurement resulting from the adoption of AASB 9 were reflected in 1 July 2018 opening retained profits and other appropriate equity reserves. AASB 9 introduced the concept of forward-looking 'expected credit losses' (**ECL**) into the provision models which replaced the incurred loss model under AASB 139. The impact on transition increased accounting provisions by $20m and reduced the CET1 capital ratio by 6bps.

GROSS NON-PERFORMING LOANS COVERAGE BY PORTFOLIO

30-Sep-18 (AASB 9)	Past due loans $M	Impaired assets $M	Specific provision $M	Collective provision $M	ERCL (pre-tax equivalent) $M	Total provision and ERCL coverage %
Retail lending	510	40	9	34	60	19%
Agribusiness lending	20	37	13	27	10	88%
Commercial/SME lending	24	63	16	44	77	157%
Total	**554**	**140**	**38**	**105**	**147**	**42%**

1-Jul-18 (AASB 9)	Past due loans $M	Impaired assets $M	Specific provision $M	Collective provision $M	ERCL (pre-tax equivalent) $M	Total provision and ERCL coverage %
Retail lending	485	37	7	31	47	16%
Agribusiness lending	22	51	19	34	17	96%
Commercial/SME lending	34	56	13	46	76	150%
Total	**541**	**144**	**39**	**111**	**140**	**42%**

30-Jun-18 (as previously reported under AASB 139)	Past due loans $M	Impaired assets $M	Specific provision $M	Collective provision $M	ERCL (pre-tax equivalent) $M	Total provision and ERCL coverage %
Retail lending	485	37	7	35	59	19%
Agribusiness lending	22	51	19	30	21	96%
Commercial/SME lending	34	56	13	26	46	94%
Total	**541**	**144**	**39**	**91**	**126**	**37%**

As reflected in the tables above, the transition from AASB 139 to AASB 9 resulted in a net $20m increase in the collective provision at 1 July 2018. This was impacted by:

- A $4m reduction in the retail lending collective provision arising from the adoption of a revised Loss Given Default (LGD) model consistent with the introduction of AASB 9, which better reflects the link between LGD and current and expected collateral prices; combined with a review of other inputs into the assessment process not derived directly from the models. These changes offset the other impacts of AASB 9, including the introduction of lifetime provisions for Stage 2 exposures[1] and the introduction of forward-looking macroeconomic assumptions;
- A $24m increase in the non-retail lending collective provision due to the adoption of the revised Loss Given Default model, together with the impact of introducing Staging, forward-looking macroeconomic assumptions and the review of other inputs into the assessment process not derived directly from the models.

During the September quarter, the collective provision decreased by $6m, reflecting net favourable migration across the credit stages for non-retail lending and increased level of arrears and declining house prices in the retail portfolio.

[1] Upon occurrence of a significant increase in credit risk (SICR) an exposure moves from Stage 1 to Stage 2 and provisions increase from a 12 months Expected Credit Loss (ECL) to a lifetime ECL (i.e. all losses that are expected to occur over the life of the loan). SICR is determined based on a deterioration in the loan's master rating scale level, which is directly related to probability of default.

APPENDIX 1 – APS 330 TABLES

- Table 1: Capital disclosure template – not applicable for this reporting period. This table was disclosed in the June 2018 reporting period.
- Table 2: Main features of capital instruments
- Table 3: Capital adequacy
- Table 4: Credit risk
- Table 5: Securitisation exposures
- Table 18: Remuneration Disclosures
- Table 20: Liquidity Coverage Ratio Disclosure

TABLE 2: MAIN FEATURES OF CAPITAL INSTRUMENTS

Attachment B of APS 330 details the continuous disclosure requirements for the main features of all capital instruments included in Suncorp Bank's regulatory capital.

The Suncorp Group's main features of capital instruments are updated on an ongoing basis and are available at http://www.suncorpgroup.com.au/investors/reports.

The full terms and conditions of all of Suncorp Group's regulatory capital instruments are available at http://www.suncorpgroup.com.au/investors/securities [2].

[2] The published full terms and conditions represent the comparable capital instruments issued by Suncorp Group Limited to external investors. The terms of these instruments may differ slightly to those instruments issued by the regulatory Level 2 group.

TABLE 3: CAPITAL ADEQUACY

	Carrying value		Avg risk weight	Risk Weighted Assets	
	Sep-18	Jun-18	Sep-18	Sep-18	Jun-18
	$M	$M	%	$M	$M
On-balance sheet credit risk-weighted assets					
Cash items	447	479	3	12	8
Claims on Australian and foreign governments	2,656	2,365	-	-	-
Claims on central banks, international banking agencies, regional development banks, ADIs and overseas banks	987	933	27	268	233
Claims on securitisation exposures	1,127	1,242	20	222	246
Claims secured against eligible residential mortgages	43,950	43,343	37	16,219	16,039
Past due claims	632	623	80	508	511
Other retail assets	270	268	97	263	259
Corporate	9,463	9,571	100	9,451	9,559
Other assets and claims	405	379	100	405	379
Total banking assets	**59,937**	**59,203**		**27,348**	**27,234**

	Notional amount	Credit equivalent	Avg risk weight	Risk Weighted Assets	
	Sep-18	Sep-18	Sep-18	Sep-18	Jun-18
	$M	$M	%	$M	$M
Off-balance sheet positions					
Guarantees entered into in the normal course of business	281	279	70	195	184
Commitments to provide loans and advances	8,981	2,490	59	1,474	1,363
Foreign exchange contracts	5,263	137	25	34	31
Interest rate contracts	49,596	77	30	23	26
Securitisation exposures	4,374	159	20	32	36
CVA capital charge	-	-	-	117	128
Total off-balance sheet positions	**68,495**	**3,142**		**1,875**	**1,768**
Market risk capital charge				101	88
Operational risk capital charge				3,473	3,473
Total off-balance sheet positions				1,875	1,768
Total on-balance sheet credit risk-weighted assets				27,348	27,234
Total assessed risk				**32,797**	**32,563**

Risk-weighted capital ratios	%	%
Common Equity Tier 1	8.89	9.01
Tier 1	10.56	10.70
Tier 2	2.71	2.76
Total risk-weighted capital ratio	**13.28**	**13.46**

TABLE 4: CREDIT RISK

Table 4A: Credit risk by gross credit exposure – outstanding as at 30 September 2018

	Receivables due from other Banks [2]	Trading Securities	Derivatives [3]	Investment Securities	Loans and Advances	Off-balance sheet exposures (credit equivalent amount) [3]	Total Credit Risk [4]	Gross Impaired Assets	Past due not impaired > 90 days	Total not past due or impaired	Specific Provisions [5]
	$M	$M	$M	$M	$M	$M	$M	$M	$M	$M	$M
Agribusiness	-	-	-	-	3,848	225	4,073	37	20	4,016	13
Construction & development	-	-	-	-	770	288	1,058	3	2	1,053	1
Financial services	451	-	214	809	87	341	1,902	-	-	1,902	-
Hospitality	-	-	-	-	993	80	1,073	27	1	1,045	7
Manufacturing	-	-	-	-	233	24	257	3	2	252	-
Professional services	-	-	-	-	303	19	322	1	2	319	1
Property investment	-	-	-	-	2,521	134	2,655	2	2	2,651	2
Real estate - Mortgage	-	-	-	-	43,522	1,464	44,986	40	472	44,474	8
Personal	-	-	-	-	174	4	178	-	5	173	-
Government/public authorities	-	1,538	-	2,120	-	-	3,658	-	-	3,658	-
Other commercial & industrial [6]	-	-	-	-	2,090	190	2,280	26	14	2,240	6
Total gross credit risk	**451**	**1,538**	**214**	**2,929**	**54,541**	**2,769**	**62,442**	**139**	**520**	**61,783**	**38**
Securitisation exposures [1]	-	-	82	1,127	4,454	77	5,740	1	34	5,705	-
Total including securitisation exposures	**451**	**1,538**	**296**	**4,056**	**58,995**	**2,846**	**68,182**	**140**	**554**	**67,488**	**38**
Impairment provision							(143)	(38)	(60)	(45)	
Total							**68,039**	**102**	**494**	**67,443**	

(1) The securitisation exposures of $4,454 million included under Loans and advances qualify for regulatory capital relief under APS 120 *Securitisation* and therefore do not contribute to the Bank's total gross credit risk. The remaining securitisation exposures carry credit risk commensurate with their respective asset classes in accordance with APS 120 *Securitisation*.

(2) Receivables due from other banks include collateral deposits provided to derivative counterparties.

(3) Represent the credit equivalent amount of the Bank's off-balance sheet exposures calculated in accordance with APS 112 *Capital Adequacy*.

(4) Total credit risk excludes cash and cash equivalents, including any reverse repurchase agreements held by the ADI.

(5) In accordance with APS 220 *Credit Quality*, regulatory specific provisions represent $38 million specific provisions for accounting purposes plus $60 million ineligible collective provision.

(6) Includes a portion of small business loans, with limits below $1 million, that are not classified.

TABLE 4: CREDIT RISK (CONTINUED)

Table 4A: Credit risk by gross credit exposure – outstanding as at 30 June 2018

	Receivables due from other Banks [(2)] $M	Trading Securities $M	Derivatives $M	Investment Securities $M	Loans and Advances $M	Off-balance sheet exposures (credit equivalent amount) [(3)] $M	Total Credit Risk [(4)] $M	Gross Impaired Assets $M	Past due not impaired > 90 days $M	Total not past due or impaired $M	Specific Provisions [(5)] $M
Agribusiness	-	-	-	-	4,014	197	4,211	48	25	4,138	17
Construction & development	-	-	-	-	732	251	983	1	1	981	1
Financial services	474	-	202	691	92	172	1,631	-	-	1,631	-
Hospitality	-	-	-	-	986	96	1,082	26	1	1,055	6
Manufacturing	-	-	-	-	234	24	258	2	2	254	-
Professional services	-	-	-	-	278	17	295	1	2	292	1
Property investment	-	-	-	-	2,448	121	2,569	8	3	2,558	3
Real estate - Mortgage	-	-	-	-	42,883	1,484	44,367	38	450	43,879	5
Personal	-	-	-	-	182	5	187	-	5	182	-
Government/public authorities	-	1,639	-	2,125	-	-	3,764	-	-	3,764	-
Other commercial & industrial [(6)]	-	-	-	-	2,151	208	2,359	20	22	2,317	6
Total gross credit risk	**474**	**1,639**	**202**	**2,816**	**54,000**	**2,575**	**61,706**	**144**	**511**	**61,051**	**39**
Securitisation Exposures [(1)]	-	-	99	1,242	4,728	82	6,151	-	30	6,121	-
Total including securitisation exposures	**474**	**1,639**	**301**	**4,058**	**58,728**	**2,657**	**67,857**	**144**	**541**	**67,172**	**39**
Impairment provision							(130)	(39)	(21)	(70)	
Total							**67,727**	**105**	**520**	**67,102**	

(1) The securitisation exposures of $4,728 million included under Loans and advances qualify for regulatory capital relief under APS 120 *Securitisation* and therefore do not contribute to the Bank's total gross credit risk. The remaining securitisation exposures carry credit risk commensurate with their respective asset classes in accordance with APS 120 *Securitisation*.

(2) Receivables due from other banks include collateral deposits provided to derivative counterparties.

(3) Represent the credit equivalent amount of the Bank's off-balance sheet exposures calculated in accordance with APS 112 *Capital Adequacy*.

(4) Total credit risk excludes cash and cash equivalents, including any reverse repurchase agreements held by the ADI.

(5) In accordance with APS 220 *Credit Quality*, regulatory specific provisions represent $39 million specific provisions for accounting purposes plus $21 million ineligible collective provision.

(6) Includes a portion of small business loans, with limits below $1 million, that are not classified.

TABLE 4: CREDIT RISK (CONTINUED)

Table 4A: Credit risk by gross credit exposure – average gross exposure over period 1 July to 30 September 2018

	Receivables due from other Banks [2]	Trading Securities	Derivatives [3]	Investment Securities	Loans and Advances	Off-balance sheet exposures (credit equivalent amount) [3]	Total Credit Risk [4]
	$M	$M	$M	$M	$M	$M	$M
Agribusiness	-	-	-	-	3,931	211	4,142
Construction & development	-	-	-	-	751	270	1,021
Financial services	463	-	208	750	90	257	1,768
Hospitality	-	-	-	-	990	88	1,078
Manufacturing	-	-	-	-	234	24	258
Professional services	-	-	-	-	291	18	309
Property investment	-	-	-	-	2,485	128	2,613
Real estate - Mortgage	-	-	-	-	43,202	1,474	44,676
Personal	-	-	-	-	178	5	183
Government/public authorities	-	1,589	-	2,123	-	-	3,712
Other commercial & industrial	-	-	-	-	2,121	199	2,320
Total gross credit risk	**463**	**1,589**	**208**	**2,873**	**54,273**	**2,674**	**62,080**
Securitisation exposures [1]	-	-	91	1,185	4,591	80	5,947
Total including securitisation exposures	**463**	**1,589**	**299**	**4,058**	**58,864**	**2,754**	**68,027**
Impairment provision							(137)
Total							**67,890**

(1) The securitisation exposures of $4,591 million included under Loans and advances qualify for regulatory capital relief under APS 120 *Securitisation* and therefore do not contribute to the Bank's total gross credit risk. The remaining securitisation exposures carry credit risk commensurate with their respective asset classes in accordance with APS 120 *Securitisation*.

(2) Receivables due from other banks include collateral deposits provided to derivative counterparties.

(3) Represent the credit equivalent amount of the Bank's off-balance sheet exposures calculated in accordance with APS 112 *Capital Adequacy*.

(4) Total credit risk excludes cash and cash equivalents, including any reverse repurchase agreements held by the ADI.

TABLE 4: CREDIT RISK (CONTINUED)

Table 4A: Credit risk by gross credit exposure – average gross exposure over period 1 April to 30 June 2018

	Receivables due from other Banks [2] $M	Trading Securities $M	Derivatives [3] $M	Investment Securities $M	Loans and Advances $M	Off-balance sheet exposures (credit equivalent amount) [3] $M	Total Credit Risk [4] $M
Agribusiness	-	-	-	-	3,974	214	4,188
Construction & development	-	-	-	-	731	227	958
Financial services	508	-	170	698	94	275	1,745
Hospitality	-	-	-	-	979	82	1,061
Manufacturing	-	-	-	-	244	23	267
Professional services	-	-	-	-	276	18	294
Property investment	-	-	-	-	2,407	151	2,558
Real estate - Mortgage	-	-	-	-	43,221	1,442	44,663
Personal	-	-	-	-	220	5	225
Government/public authorities	-	1,623	-	2,088	-	-	3,711
Other commercial & industrial	-	-	-	-	2,147	195	2,342
Total gross credit risk	**508**	**1,623**	**170**	**2,786**	**54,293**	**2,632**	**62,012**
Securitisation exposures [1]	-	-	50	1,267	4,234	144	5,695
Total including securitisation exposures	**508**	**1,623**	**220**	**4,053**	**58,527**	**2,776**	**67,707**
Impairment provision							(131)
Total							**67,576**

(1) The securitisation exposures of $4,234 million included under Loans and advances qualify for regulatory capital relief under APS 120 *Securitisation* and therefore do not contribute to the Bank's total gross credit risk. The remaining securitisation exposures carry credit risk commensurate with their respective asset classes in accordance with APS 120 *Securitisation*.

(2) Receivables due from other banks include collateral deposits provided to derivative counterparties.

(3) Represent the credit equivalent amount of the Bank's off-balance sheet exposures calculated in accordance with APS 112 *Capital Adequacy*.

(4) Total credit risk excludes cash and cash equivalents, including any reverse repurchase agreements held by the ADI.

TABLE 4: CREDIT RISK (CONTINUED)

Table 4B: Credit risk by portfolio as at 30 September 2018

	Gross Credit Risk Exposure	Average Gross Exposure	Impaired Assets	Past due Not Impaired > 90 days	Specific Provisions [2]	Charges for Specific Provisions & Write Offs
	$M	$M	$M	$M	$M	$M
Claims secured against eligible residential mortgages [1]	50,726	50,623	41	506	8	2
Other retail	178	183	-	5	-	1
Financial services	1,902	1,768	-	-	-	-
Government and public authorities	3,658	3,712	-	-	-	-
Corporate and other claims	11,718	11,741	99	43	30	-
Total	**68,182**	**68,027**	**140**	**554**	**38**	**3**

(1) $5,740 million, $5,947 million, $1 million and $34 million has been included in gross credit risk exposure, average gross exposure, gross impaired assets and past due not impaired greater than 90 days respectively to include securitisation exposures.

(2) The specific provisions of $38 million represents the specific provisions for accounting purposes. It excludes the ineligible collective provisions of $60 million which in accordance with APS 220 *Credit Quality* are regulatory specific provisions. The regulatory specific provisions under APS 220 *Credit Quality* are $98 million.

Table 4B: Credit risk by portfolio as at 30 June 2018

	Gross Credit Risk Exposure	Average Gross Exposure	Impaired Assets	Past due Not Impaired > 90 days	Specific Provisions [2]	Charges for Specific Provisions & Write Offs
	$M	$M	$M	$M	$M	$M
Claims secured against eligible residential mortgages [1]	50,518	50,358	38	480	5	2
Other retail	187	225	-	5	-	6
Financial services	1,631	1,745	-	-	-	-
Government and public authorities	3,764	3,711	-	-	-	-
Corporate and other claims	11,757	11,668	106	56	34	6
Total	**67,857**	**67,707**	**144**	**541**	**39**	**14**

(1) $6,151 million, $5,695 million and $30 million has been included in gross credit risk exposure, average gross exposure and past due not impaired greater than 90 days respectively to include securitisation exposures.

(2) The specific provisions of $39 million represents the specific provisions for accounting purposes. It excludes the ineligible collective provisions of $21 million which in accordance with APS 220 *Credit Quality* are regulatory specific provisions. The regulatory specific provisions under APS 220 *Credit Quality* are $60 million.

TABLE 4: CREDIT RISK (CONTINUED)

Table 4C: General reserves for credit losses

	Sep-18 $M	Jun-18 $M
Collective provision for impairment	105	91
Ineligible collective provisions on past due not impaired	(60)	(21)
Eligible collective provisions	45	70
Equity reserve for credit losses	103	88
General reserve for credit losses	**148**	**158**

TABLE 5: SECURITISATION EXPOSURES

Table 5A: Summary of securitisation activity for the period

During the quarter ending 30 September 2018, there was no securitisation activity (quarter ending 30 June 2018: $1,250M).

Table 5B(i): Aggregate of on-balance sheet securitisation exposures by exposure type

	Sep-18	Jun-18
Exposure type	$M	$M
Debt securities	1,127	1,242
Total on-balance sheet securitisation exposures	**1,127**	**1,242**

Table 5B(ii): Aggregate of off-balance sheet securitisation exposures by exposure type

	Sep-18	Jun-18
Exposure type	$M	$M
Liquidity facilities	77	82
Derivative exposures	82	99
Total off-balance sheet securitisation exposures	**159**	**181**

TABLE 18: REMUNERATION DISCLOSURES

Basis of preparation

This Remuneration Disclosure has been prepared in accordance with the Australian Prudential Regulation Authority (**APRA**) Prudential Standard (**APS**) 330: Public Disclosure, effective as at 30 June 2018.

Remuneration disclosure overview

The disclosure is structured into two sections:

- **Section 1:** This explains the Suncorp Group Limited (**the Group**) Group Remuneration Policy and remuneration practices, which has been endorsed by the Group Board People and Remuneration Committee[1] and approved by the Group Board. It also demonstrates the strong alignment that Suncorp Group's remuneration practices have with performance outcomes, community expectations and shareholder returns. The Group's remuneration framework and governance applies to all employees of Suncorp Bank; and
- **Section 2:** This details the aggregated remuneration data for Senior Managers, being Key Management Personnel (**KMP**) and Other Senior Managers relating to Suncorp Bank during the financial year ended 30 June 2018 (**FY18**). See the table below for further information on these roles.

Suncorp Bank is a core function of the Group and is represented by the legal entity Suncorp-Metway Limited (**SML**) and its subsidiaries. SML is an authorised deposit-taking institution and a wholly owned subsidiary of the Group. Therefore, this Remuneration Disclosure is completed on a Level 2 basis[2].

Definitions

Key definitions are below.

Role	Definition	Number of FY18 individuals[3]
Senior Managers	All Responsible Persons included in the Group's Fit and Proper Policy for FY18. This includes:	
	(1) **KMP:** The KMP roles (excluding non-executive directors) for the Group. These are also KMP for SML and its subsidiaries.	13 individuals (12 roles)
	(2) **Other Senior Managers:** Executive General Managers (**EGMs**) and select employees below EGM level who are Responsible Persons for SML included in the Group's Fit and Proper Policy.	25 individuals (22 roles)
		Total 38 individuals (34 roles)
Material Risk-Taker (**MRT**)	All MRTs at Suncorp are covered under the Group's Fit & Proper Policy and are disclosed as Other Senior Managers as defined above. Given this, there are no MRTs in this disclosure.	-

[1] The Remuneration Committee became the People and Remuneration Committee with an expanded remit on 8 August 2018. This committee is referred to as the 'People and Remuneration Committee' throughout this disclosure.

[2] Under Application Paragraph 3, 'where a locally incorporated ADI is a subsidiary of an authorised non-operating holding company (authorised NOHC), the authorised NOHC must ensure that the requirements under this Prudential Standard are met on a Level 2 basis' (APS 330, July 2018).

[3] The number of individuals is based on headcount. Where the individual held the disclosed role for a portion of the financial year their remuneration is pro-rated to reflect this in Section 2 of this report.

Role	Definition	Number of FY18 individuals[3]
	On 28 June 2012, the Board approved the Group's definition of MRT to align with the Responsible Persons' definition within the Group's Fit and Proper Policy as it applies to Australia. This definition is applied throughout FY18.	

In addition, the term 'executive' in this disclosure refers to the Senior Managers excluding any employee below EGM level.

Section 1

i. Remuneration governance framework

The Group Board People and Remuneration Committee recommends the Group's people and remuneration framework and practices to the Board for approval. It assists the Board in fulfilling its responsibilities by ensuring that frameworks are in place that enable the Group to attract, motivate and retain talent and support the achievement of the Group's strategic objectives. The remuneration framework is structured to be fair, transparent and responsible, as expected by our shareholders, customers, employees and the wider community.

The People and Remuneration Committee receives input from the Risk Committee, Audit Committee, external advisors and management as illustrated below.

Board

PEOPLE AND REMUNERATION COMMITTEE

The People and Remuneration Committee members as at 7 November 2018 are below. They are all independent directors.

Chairman	Simon Machell
Members	Sylvia Falzon Sally Herman Dr Douglas McTaggart
Ex-Officio Member	Christine McLoughlin

The People and Remuneration Committee's responsibilities are outlined in its charter available at suncorpgroup.com.au/about/corporate-governance. The People and Remuneration Committee met five times during FY18. The biographies of the People and Remuneration Committee members are outlined in the Group's FY18 Director's Report.

RISK COMMITTEE

Advises the People and Remuneration Committee on risk matters that may impact remuneration outcomes. This includes providing input into the Group Scorecard goal setting and performance assessment process.

CHAIRMEN OF RISK COMMITTEE, PEOPLE AND REMUNERATION COMMITTEE, AND AUDIT COMMITTEE

Recommend to the People and Remuneration Committee the release, reduction or lapse of deferred incentives for the CEO & Managing Director.

EXTERNAL ADVISERS

Provide independent advice, as needed, to the People and Remuneration Committee.

During FY18, Mercer Consulting (Australia) provided advice on total shareholder return (**TSR**) performance analysis and Ernst & Young provided advice on TSR validation for LTI awards, and reward strategy and structure. No remuneration recommendations were made by a remuneration consultant during FY18.

MANAGEMENT

Advises the People and Remuneration Committee based on specialist expertise and business knowledge.

The Chief Risk Officer, with input from the Remuneration Oversight Committee that also consists of the Chief Financial Officer and Chief People Experience Officer, prepares a report that is provided to the People and Remuneration Committee in considering the release, reduction or lapse of deferred incentives for all executives and employees.

The FY18 fee for the People and Remuneration Committee Chairman was $50,000. The fee for members of this Committee was $25,000. There was no increase to the People and Remuneration Committee fees for FY19. Fees exclude superannuation.

ii. Group Remuneration Policy and framework

The Group Remuneration Policy was updated and endorsed by the People and Remuneration Committee in July 2018. It was approved by the Board in August 2018. This Policy provides a governance framework for the structure and operation of remuneration plans within the context of the Group's strategy, long-term financial soundness and risk management framework.

The remuneration strategy, which is aligned to the business strategy and risk tolerance, ensures that the principles that determine remuneration are focused on delivering performance while demonstrating appropriate behaviours. The below table summarises the objective, principles and key components of remuneration.

OBJECTIVE

To provide competitive rewards that motivate executives to deliver superior and sustainable returns to shareholders and that support alignment with Suncorp Group's purpose, vision and strategy.

REWARD PRINCIPLES

Align reward with sustainable performance	Align effective risk management with reward	Balance stakeholder interests
Build a competitive advantage	Ensure gender pay equality	Support Suncorp's Our Compass behaviours (Think Big, Show You Care, Kick Goals, Be Your Best)

Fixed remuneration

- Consists of base salary, salary sacrificed benefits and superannuation.
- Reflects the role scope and individual's skills and experience and is set in the context of market remuneration levels.

Short-term incentives (STI)

- Rewards the achievement of Group, function and individual outcomes over a maximum 12-month period.
- Deferral and malus[1] provisions apply to encourage a long-term focus.

Long-term incentives (LTI)

- Rewards the creation of long-term shareholder value.
- Senior Managers who are KMP receive performance rights which vest subject to service-based and performance-based conditions over a three-year period.[2]
- Other Senior Managers below EGM level receive restricted shares[3] which vest over a three-year period.
- All LTI awards are subject to malus[1] provisions.

[1] In FY18, the term clawback was changed to malus to reflect alignment with market practice. Malus refers to the potential reduction of unvested deferred incentives (down to zero) to protect the Group's financial soundness and to provide the ability to respond to unforeseen significant issues.

[2] The deferral period for performance rights has been extended to four years for the FY19 grant.

[3] For the FY19 grant, share rights will be granted in place of restricted shares.

The target remuneration mix for each role is determined by a number of factors including accountability of the role, level of influence over business function or Group results and relevant market practice. Actual remuneration outcomes (and therefore actual remuneration mix) is determined based on consideration of Group, function (as applicable) and individual performance measures.

Fixed remuneration

Fixed remuneration is comprised of base salary, salary sacrificed benefits, and other benefits including superannuation. Superannuation is paid at a rate of 9.5% of base remuneration or the maximum contribution base, whichever is the lesser.

Fixed remuneration reflects the role scope and the individual's skills and experience. It is reviewed each year in line with the Group Remuneration Policy, individual performance and contribution to the Group, taking into consideration market competitiveness and other business and talent-critical factors.

At-risk remuneration

At-risk components of remuneration must satisfy performance and risk-related requirements. They are explicitly linked to the short-term and long-term performance of the Group and moderated by prudent risk management.

Short-term incentives

Executives and employees can participate in one of two STI plans as outlined below. Both plans operate in accordance with the Group Remuneration Policy.

	Corporate Incentive Plan (CIP)	Non-Corporate Incentive Plan (NCIP)
Eligibility	• Executives. • Majority of roles below executive level.	• A small number of select roles below executive level.
Purpose	• The CIP incentivises the achievement of key performance measures over a 12-month period that create sustainable value for all stakeholders.	• NCIPs are developed and applied in certain situations when roles cannot be appropriately rewarded through the CIP, either due to the nature of the roles or where the type of remuneration plan used in the market place necessitates a different approach to reward and recognition.
Performance measures	• Group, function (if applicable) and individual performance measures are set in the context of a scorecard across the performance categories of profit and financials, customer, risk and people. • Behaviours, assessed within the context of 'Our Compass', are considered as part of the overall performance assessment.	• Individual performance measures are set in the context of a scorecard across the performance categories of profit and financials, customer, risk and people. • Employees need to meet behavioural thresholds to be eligible to participate in the plan.
Deferral	• All executives that receive a payment under the CIP have a portion of their incentive delivered as share rights, which is deferred for two or three years depending on their role. • Employees below executive level may have a portion of their STI deferred into cash for two years, dependent upon their fixed remuneration and incentive amount. • See the deferral section below for further information.	• Employees below executive level may have a portion of their STI deferred into cash for two years, dependent upon their fixed remuneration and incentive amount. See the deferral section below for further information.
Malus	Malus provisions apply during the deferral period. See the malus section below for further information.	

In FY18, changes have been made to NCIPs to align with the Australian Banking Association's Sedgwick Review on Remuneration in Retail Banking, and with evolving community expectations. The changes for retail banking roles include adopting a balanced scorecard with a greater focus on non-financial measures, where the weighting on financial measures was reduced to a maximum of 50% of the overall scorecard. This change was accompanied by the inclusion of more effective customer and risk measures. NCIPs will be removed from 1 January 2019.

Deferral

The deferral arrangements are summarised below:

Level	Role	Percentage of STI deferred	Deferral period and vehicle
Senior Managers (KMP)	CEO & Managing Director	50% of the STI award.	Deferred into share rights for two years with 50% vesting on the 1st anniversary and 50% vesting on the 2nd anniversary of the date of grant.[1]
	KMP other than the CEO & Managing Director	35% of the STI award.	
Other Senior Managers	EGMs	30% of the STI award.	Deferred into share rights for three years with 1/3 vesting on the 1st, 2nd and 3rd anniversary of the date of grant.[1]
	Other employees	The deferral threshold is the lower of 30% of fixed salary or $100,000, of which 40% will be deferred (with a minimum deferral amount of $10,000 before deferral is triggered).	Deferred into cash with vesting at the end of the 2-year period.

1. Cash-based deferral remains operative in respect of deferred STI awarded in FY16.

Long-term incentives

Eligible employees participate in the Suncorp Group Equity Incentive Plan. For the purposes of this disclosure, we have distinguished the plans through reference to the 'LTI plan' and the 'Restricted Share Plan **(RSP)**'.

Plan	Eligibility[1]	Purpose
LTI	Senior Managers (KMP)	• Performance rights are granted which vest subject to service-based and performance-based conditions. • The performance measure is relative TSR. This is assessed over three years and is based on Suncorp's performance against the top 50 listed companies by market capitalisation in the S&P/ASX 100 (excluding real estate investment trusts and mining companies).[2] • Performance rights are subject to the potential application of malus.
RSP	Other Senior Managers below executive level	• These employees are eligible to receive restricted shares[2]. • The restricted shares will vest subject to a three-year service condition. • Restricted shares are subject to the potential application of malus.

1. Other Senior Managers (EGMs) do not participate in the LTI or RSP.
2. The deferral period under the LTI plan has been extended to four years for the 2018-19 grant.
3. For the 2018-19 grant, share rights will be granted in place of restricted shares.

iii. Remuneration aligns with risk management

Suncorp is committed to effective risk management throughout the Suncorp Group.

The Enterprise Risk Management Framework (**ERMF**) lays the foundation for all Suncorp's risk management processes. The ERMF seeks to ensure the integration of effective risk management across the organisation and incorporates Suncorp's policies (which include risk management policies and the Group Remuneration Policy). All employees are educated on the importance of managing risk and the link between risk management and the outcomes for our customers, employees and shareholders.

The Board sets the risk appetite for the Group and has ultimate responsibility for the effectiveness of the Group's risk management practices. In addition, there are common members between the People and Remuneration, Risk, and Audit Committees.

Suncorp develops its strategy and business plan in consideration of the Group's risk appetite and also with regard to the broader external environment.

Risk is an important element of the remuneration and performance framework for all employees across Suncorp

In determining 'at-risk' remuneration, the Board ensures risk management is considered through:

- separately weighted risk measures in the Group Scorecard,
- individual adherence to risk management policies. The application of appropriate risk management practices is assessed to ensure that all executives and employees adhere to the ERMF and the Suncorp Group Risk Appetite Statement and have demonstrated prudent management of the risks that the Group faces,
- an assessment based on behavioural and cultural measures to ensure performance is aligned to expected ethical standards,
- the Board's application of a judgment overlay on the Group Scorecard outcome (which determines the size of the STI pool), with risk management considered as a key component of the overall performance outcome, and
- the hedging prohibition (described below).

In determining performance and remuneration outcomes, the People and Remuneration Committee considers all relevant factors to demonstrate alignment with the Group's risk appetite and adherence to effective risk management practices to ensure that long-term financial soundness of outcomes is determined, before the Board makes its final determination of the overall STI pool.

In addition to the above, risk is further embedded into the remuneration structure for Senior Managers (KMP) roles (excluding non-executive directors) for the Group, through ensuring remuneration outcomes are balanced over the short and long term by:

- deferral of a significant portion of the STI, and
- meeting the minimum shareholding requirement (described below).

The table below provides the key risks and the measures for SML which are updated periodically to ensure that they comply with the legislative standards. These risks have not changed over the past year.

Key risks	Key measures	Review of the measures
Financial risks (credit risk, market risk, liquidity risks)	Metrics embedded within scorecard measures include compliance with Board delegated limits for key credit, liquidity and market risk. Other measures used to evaluate Financial risk are: • Stress testing, including sensitivity and scenario analysis • Concentrations and large exposures • Funding, cashflow, liquidity.	Compliance with Credit risk appetite monitored and reported monthly. Liquidity and market risk limits are monitored continuously and are part of monthly reporting.

Key risks	Key measures	Review of the measures
Operational risks	A number of measures are used to evaluate Operational risk including: • Data governance and remediation embedded within process control • Key risk indicators across customers and operational systems, including data • Operational risk assessment and incident reporting • Internal and external audit findings.	• Monitoring of Monthly Key Risk Indicators • Operational Risk performance is assessed Monthly and Quarterly • Internal and External Audits are performed in accordance with the Annual Audit Program.
Compliance risks	A number of measures are used to evaluate Compliance Risk, including: • Internal and external audit findings • Incident management • Attestations • Scorecard Key Performance Indicators (**KPI**) incorporation of acceptable behaviours • Completion of annual mandatory compliance training program • Compliance oversight and monitoring plan • Monitoring customer complaints • Compliance impact assessment • Monitoring regulatory change • Monitoring conflicts of interest • Compliance obligation management and control testing.	Compliance measures are reviewed on a quarterly, half yearly and annual cycle, or earlier if required.

Minimum shareholding requirement

To further align the interests of Senior Managers (KMP) with those of shareholders, Senior Managers (KMP) are required to have a minimum shareholding in the Group equivalent to at least 100% of one year's pre-tax (gross) fixed remuneration.

Senior Managers (KMP) are required to meet the minimum shareholding requirement four years from the October following their appointment, with 50% to be achieved after two years. The value of the shares for the purposes of this requirement is the market value of the underlying shares.

Based on their shareholding as at 30 June 2018, all Senior Managers (KMP) are on track to meet the shareholding requirement.

Hedging prohibition

The Suncorp Group Securities Trading Policy regulates dealing by directors, employees and contractors in Suncorp securities and prohibits hedging transactions to limit the economic risk of a holding in the Group's securities including unvested rights.

All Senior Managers (KMP) are reminded of this policy at least twice per year, usually in the month prior to the release of Suncorp Group's annual and half-yearly financial results.

Any subsequent dealing in those shares is subject to the terms of the Securities Trading Policy. Further detail can be found in the 2017–18 Corporate Governance Statement at suncorpgroup.com.au/about /corporate-governance.

Malus

Deferred incentives (including STI deferred awards, LTI unvested awards, and LTI vested awards subject to further deferral) are subject to the potential application of malus based on the Board's judgment, as outlined below. The term 'malus' was introduced to replace 'clawback' to reflect market practice. Malus provisions enable deferred incentives to be either forfeited or reduced at the Board's discretion.

Purpose	Malus enables the Board to adjust deferred incentives downwards (including to zero) to protect the Group's financial soundness and to provide the ability to respond to unforeseen significant issues.
Criteria	Circumstances that the Board may consider in applying malus include: – the participant's employment is terminated for misconduct – the participant acted or failed to act in a manner which contributed to significantly adversely impacting customers, shareholders and/or the reputation of the Suncorp Group – there was a failure to comply with Suncorp's risk management policies and practices, including undertaking appropriate risk assessments that would have, or would reasonably be expected to have, identified the issues – the employee was aware of the above-mentioned risk management failure, or should reasonably have been aware of that failure – to protect the financial soundness of the Suncorp Group – to respond to significant unexpected or unintended consequences that were not foreseen by the People and Remuneration Committee, and – any other reasonable considerations that emerged prior to, or during, the deferral period.

Risk and financial control personnel

Separate performance and remuneration review processes govern remuneration decisions concerning identified employees working in the areas of risk and financial control.

In these roles, performance measures are set and assessed by leaders within the CRO and CFO functions, independent of their business function, with oversight from the CRO or CFO as appropriate. In addition, employees working in risk roles across the Group typically have a comparatively higher percentage of risk-based measures in their balanced scorecard.

Material Risk-Taker roles

The Board approved definition of MRT roles aligned with the Responsible Persons' definition in the Fit and Proper Policy, as it applies to Australia during FY18. From 1 July 2018, a new Board approved classification of Responsible Persons and MRT will apply. This will be reflected in the FY19 APS 330 remuneration disclosure.

All new appointments and changes to remuneration arrangements for these roles require approval by the Board. Within pre-defined parameters, delegated authority has been granted by the Board to the CEO & Managing Director to approve appointments or changes to remuneration and terms of employment. The Board has final oversight and reviews the remuneration arrangements of all MRT roles on an annual basis.

For the purpose of this report, given the alignment of MRTs and Responsible Persons at Suncorp during FY18, EGMs and other specified senior roles that meet the definition of Responsible Person in relation to SML are disclosed as Other Senior Managers (see 'Remuneration Disclosure overview'). Given this, there are no MRTs in Section 2 of this year's disclosure.

Section 2: Quantitative disclosure requirements

The table below contains aggregated remuneration details for Senior Managers as calculated in accordance with Australian Accounting Standards, as required under paragraph (j) of Table 21:

	FY17				FY18			
	Senior Managers (KMP)		Other Senior Managers		Senior Managers (KMP)		Other Senior Managers	
$000	Unrestricted	Deferred	Unrestricted	Deferred	Unrestricted	Deferred	Unrestricted	Deferred
Fixed remuneration								
Cash-based[1]	10,787	-	6,546	-	10,075	-	7,649	-
Other[2]	1,091	-	330	-	545	-	574	-
Variable remuneration								
Cash-based[3]	5,803	158	2,743	40	5,569	78	2,760	24
Share linked instruments[4,5]	-	8,010	-	2,187	-	8,571	3	1,540

1. Represents actual fixed remuneration received, including salary sacrificed benefits and employer superannuation.
2. Represents non-monetary benefits including airfares and insurances paid on behalf of the employee and the net annual leave and long service leave accrual for the financial year.
3. Represents cash incentives earned during the financial year. The deferred cash portion awarded includes interest accrued on prior year deferred STI's and is subject to malus provisions during the deferral period. The deferred portion of the FY18 and FY17 STI is outlined in 'Share linked instruments' under the 'Deferred' column.
4. STI deferred into equity-settled rights is expensed to the profit & loss from the start of the performance period to the end of the deferral period and the fair value is amortised from the start of the performance period to the end of the deferral period. Grants made under the LTI plan and RSP are expensed to the profit & loss based on the fair value at grant date over the period from grant date to vesting date.
5. See the FY18 and FY17 Suncorp Group Limited Annual Financial Report for information regarding employee share plans and associated remuneration strategies to drive long-term performance.

During FY18, 13 Senior Managers (KMP) and 25 Other Senior Managers received a variable remuneration award and in FY17, 12 Senior Managers (KMP) and 25 Other Senior Managers received a variable remuneration award. No guaranteed bonuses were made to any Senior Manager during FY18 and FY17.

The table below summarises the sign-on and termination payments made or granted to Senior Managers in FY18 and FY17.

	FY17				FY18			
	Senior Managers (KMP)		Other Senior Managers		Senior Managers (KMP)		Other Senior Managers	
	No. of individuals	Total Amount $000	No. of individuals	Total Amount $000	No. of individuals	Total Amount $000	No. of individuals	Total Amount $000
Sign-on payments	2	2,350	2	520	-	-	-	-
Termination payments[1]	2	1,724	2	312	3	2,363	-	-

1. Termination payments are paid in accordance with contractual commitments.

The table below summarises the requirements under paragraphs (i), (j) and (k) of table 21 for Senior Managers.

$000	FY17		FY18	
	Senior Managers (KMP)	Other Senior Managers	Senior Managers (KMP)	Other Senior Managers
Total outstanding deferred remuneration[1]	**36,217**	**8,327**	**22,536**	**3,514**
Cash-based[2]	5,069	1,711	2,271	671
Shares and share-linked instruments[3]	31,148	6,616	20,265	2,843
Total paid during the year[4]	**3,569**	**735**	**2,594**	**1,173**
Total reductions due to explicit adjustments[5]	**3,428**	**569**	**3,842**	**681**
Total reductions due to implicit adjustments[6]	**(19)**	**-**	**-**	**-**

1. Includes the total outstanding deferred cash and equity awards as at 30 June. Outstanding deferred remuneration is subject to malus provisions. All deferred remuneration outstanding for Senior Managers at 30 June has been included, even where that award was earned in a different capacity within the Group. The deferred balance has been excluded where the Senior Manager is no longer employed in that capacity at 30 June.
2. Deferred cash-based remuneration for FY18 represents the deferred portion of STI's awarded in FY16 (FY17: Deferred portion of STI's awarded in FY15 and FY16), together with the interest accrued on the outstanding deferral, for all Senior Managers employed within that capacity as at 30 June. Deferred cash may have been accrued whilst employed in non-Senior Manager positions.
3. Deferred equity represents the market value as at 30 June, calculated by the number of performance rights, share rights or restricted shares granted multiplied by the closing share price as traded on the ASX on 30 June. The balance consists of all offers up to and including 30 June that are still to vest for Senior Mangers employed in that capacity as at 30 June.
4. Consists of all deferred cash incentives from prior years (and associated interest) paid and deferred equity vested during the financial year, received whilst employed in the capacity of a Senior Managers.
5. Represents the market value at grant date of performance rights, share rights or restricted shares forfeited during the financial year.
6. Represents any reduction in the market value at grant date compared to the market value at 30 June for performance rights, share rights or restricted shares yet to vest, or reduction in the market value at grant date compared to the market value at vesting date during the period. Note that increases may have occurred during the period, however only reductions have been disclosed in accordance with the requirements of APS330.

TABLE 20: LIQUIDITY COVERAGE RATIO DISCLOSURE

	Total Unweighted Value (Average) Sep-18 $M	Total Weighted Value (Average) Sep-18 $M	Total Unweighted Value (Average) Jun-18 $M	Total Weighted Value (Average) Jun-18 $M	Total Unweighted Value (Average) Mar-18 $M	Total Weighted Value (Average) Mar-18 $M
Liquid assets, of which:						
High-quality liquid assets (**HQLA**)		4,181		4,306		4,176
Alternative liquid assets (**ALA**)		4,399		4,400		4,398
Cash outflows		-		-		-
Retail deposits and deposits from small business customers, of which:	21,153	1,831	20,820	1,810	20,180	1,743
stable deposits	*14,478*	*724*	*14,245*	*712*	*14,049*	*702*
less stable deposits	*6,675*	*1,107*	*6,575*	*1,098*	*6,131*	*1,041*
Unsecured wholesale funding, of which:	4,651	3,210	4,764	3,407	4,853	3,435
operational deposits (all counterparties) and deposits in networks for cooperative banks	-	-	-	-	-	-
non-operational deposits (all counterparties)	*3,224*	*1,783*	*3,128*	*1,771*	*3,041*	*1,623*
unsecured debt	*1,427*	*1,427*	*1,636*	*1,636*	*1,812*	*1,812*
Secured wholesale funding	-	7	-	4	-	11
Additional requirements, of which:	7,858	1,323	8,049	1,654	8,687	1,863
outflows related to derivatives exposures and other collateral requirements	*954*	*954*	*1,298*	*1,298*	*1,479*	*1,479*
outflows related to loss of funding on debt products	-	-	-	-	-	-
credit and liquidity facilities	*6,904*	*369*	*6,751*	*356*	*7,208*	*384*
Other contractual funding obligations	832	570	774	503	744	443
Other contingent funding obligations	7,764	757	8,321	654	8,610	803
Total cash outflows	-	**7,698**	-	**8,032**	-	**8,298**
Cash inflows						
Secured lending (e.g. reverse repos)	177	-	252	-	143	-
Inflows from fully performing exposures	665	403	800	529	802	502
Other cash inflows	590	590	617	617	920	920
Total cash inflows	**1,432**	**993**	**1,669**	**1,146**	**1,865**	**1,422**
		Total Adjusted Value		Total Adjusted Value		Total Adjusted Value
Total liquid assets		**8,580**		**8,705**		**8,574**
Total net cash outflows		**6,705**		**6,886**		**6,876**
Liquidity Coverage Ratio (%)		**128**		**126**		**125**

The Liquidity Coverage Ratio (**LCR**) requires sufficient qualifying High Quality Liquid Assets (**HQLA**) to be maintained to meet expected net cash outflows under an APRA-prescribed 30 calendar day stress scenario.

SML has a tiered management limit structure for the LCR to ensure that there is always an adequate buffer to the APRA Prudential Limit of 100% and calculates the LCR position against these limits on a daily basis. The amount of liquid assets held considers the amount needed to meet prudential and internal requirements (including a variety of internal stress scenarios as part of the risk management framework) and a suitable buffer reflecting management's preference.

Liquid assets included in the LCR comprise HQLA (cash, Australian Semi-government and Commonwealth Government securities) and alternative liquid assets covered by the Committed Liquidity Facility (**CLF**) with the Reserve Bank of Australia (RBA). SML received approval from APRA for a CLF of $4.9bn for the 2019 calendar year (2018 calendar year: $4.7 billion). Assets eligible for the CLF include senior unsecured bank paper, covered bonds and residential mortgage backed securities that are repo-eligible with the RBA.

The main contributors to net cash outflows were modelled outflows associated with deposits and unsecured wholesale funding, offset by inflows from maturing loans and issuance of term wholesale liabilities. The net cash outflow is sought to be minimised by targeting funding with lower LCR runoff rates and managing the maturity profile of wholesale liabilities.

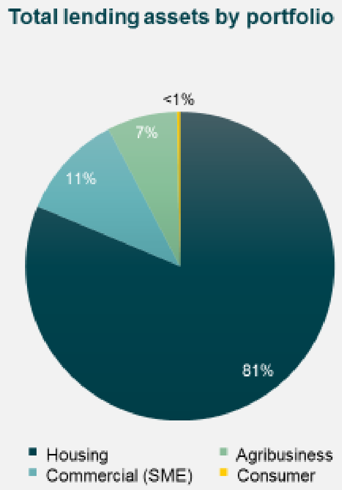
The daily average LCR was 128% over the September 2018 quarter (126% for the June 2018 quarter). There was a decrease in average net cash outflows primarily driven by lower offshore short term wholesale funding maturities in the September quarter. The impact on the average LCR was offset by a decrease in high-quality liquid assets.

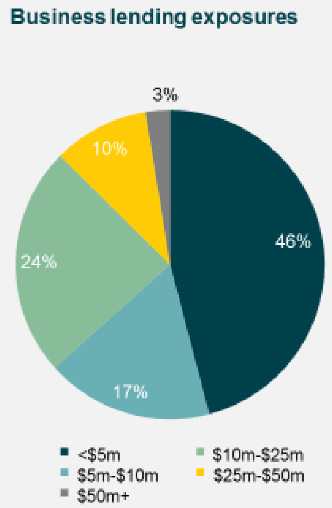
APPENDIX 2 – SLIDE PACK

Total lending portfolio

—

- Total lending assets grew $265m to $59.0bn over the quarter.
- 63% of business lending exposures are less than $10m.



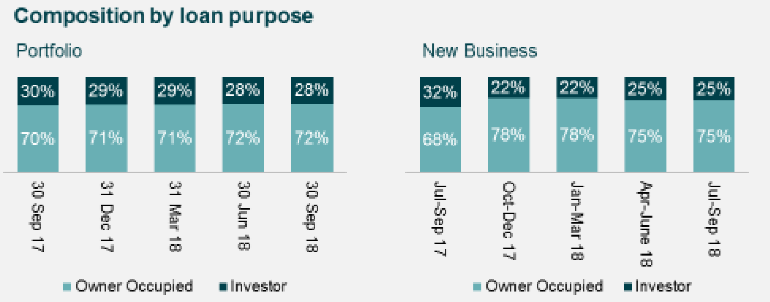


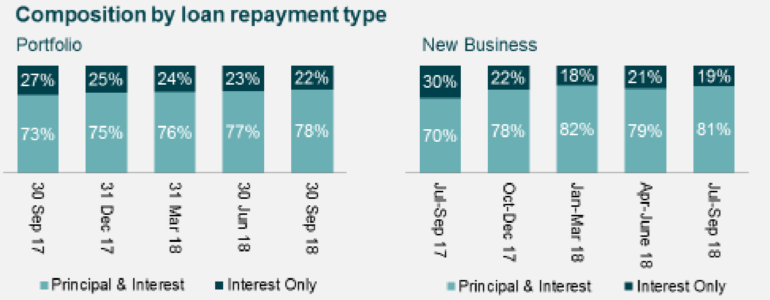
Home lending portfolio

—

- Home lending grew $361m over the quarter to $48.0bn, with a sustained focus on high quality lending.
- 75% of new business home lending during the quarter was to owner occupiers.
- Annual investor lending growth of 1.0%[1] and new business interest-only lending of 19% over the quarter places the Bank within APRA's supervisory measures.

[1]As at 30 Sep 2018

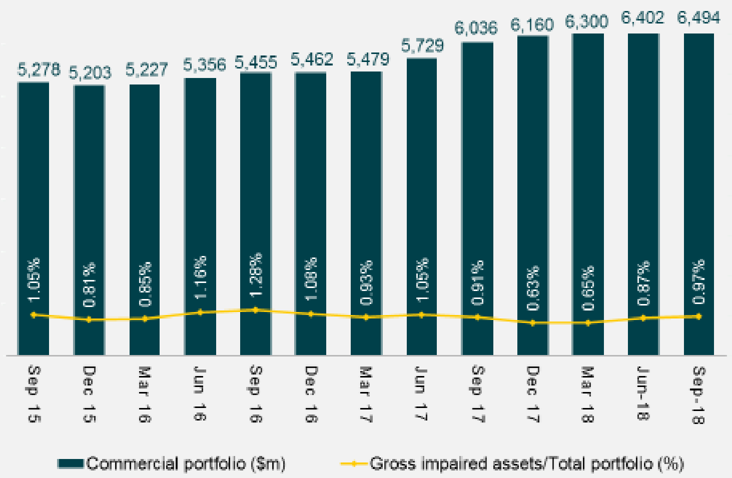




Commercial (SME) portfolio

—

- The commercial portfolio grew by $92m to $6.5bn over the quarter.
- Lending to inner-city apartment developments is tightly controlled and closely monitored with projects continuing to operate in accordance with expectations.
- Impaired assets continue to track at historical levels.

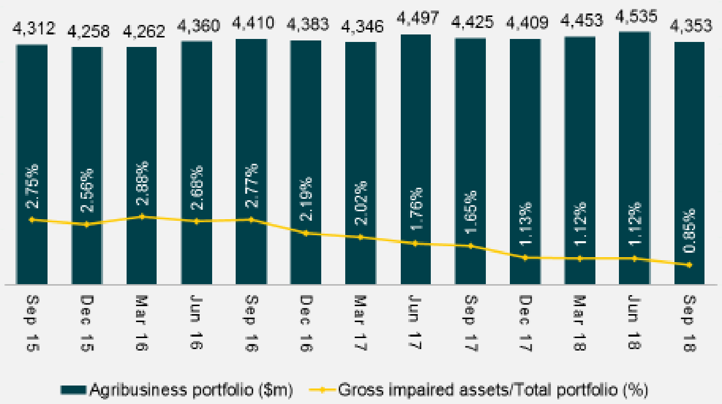


SUNCORP APS330 for the quarter ended 30 September 2018 3

Agribusiness portfolio

—

- The agribusiness lending portfolio contracted over the quarter by $182m to $4.4bn.
- Suncorp continues to monitor drought conditions and offers support to our agribusiness customers and communities.
- Impaired assets continue to be low.



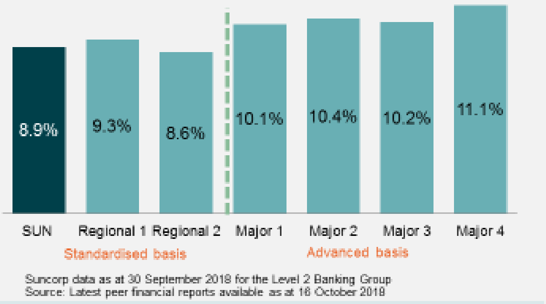
SUNCORP APS330 for the quarter ended 30 September 2018 4

Capital

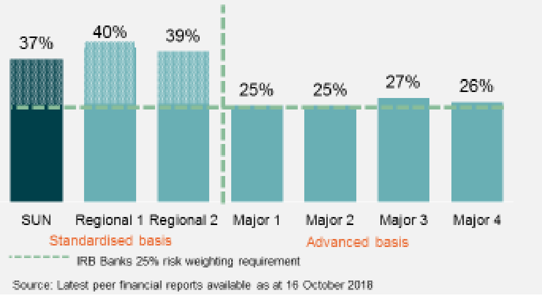
—

- Robust capital levels maintained to support growth.
- Well positioned for Basel III and 'Unquestionably Strong' regulatory changes.
- Following payment of the 2018 final dividend, the CET1 ratio remains within the target range.

CET1 ratio vs peers



Residential mortgages risk weight %

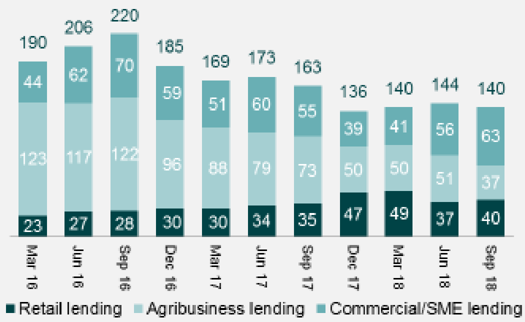


Credit quality

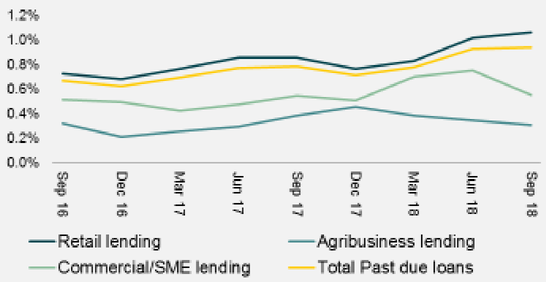
—

- Credit quality remains sound, demonstrated by the low level of impairment losses and impaired assets.
- Past due retail loans grew by 5.2% to $510 million over the quarter, primarily driven by an increase in customer tenure in late stage arrears.
- Suncorp's approach to management of arrears is continually reviewed to improve outcomes for all stakeholders.

Gross impaired loans by segment ($m)

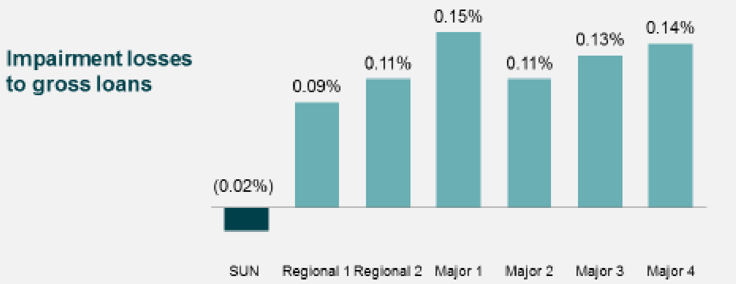


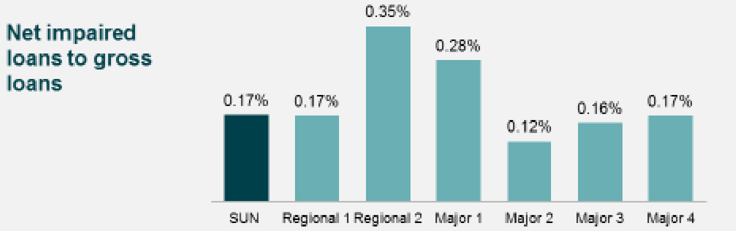
Past due loans by segment (% of segment GLA)



Credit quality

– A net positive impairment result for the quarter reflected sound credit quality, well below the through-the-cycle operating range of 10 to 20 basis points of gross loans and advances.

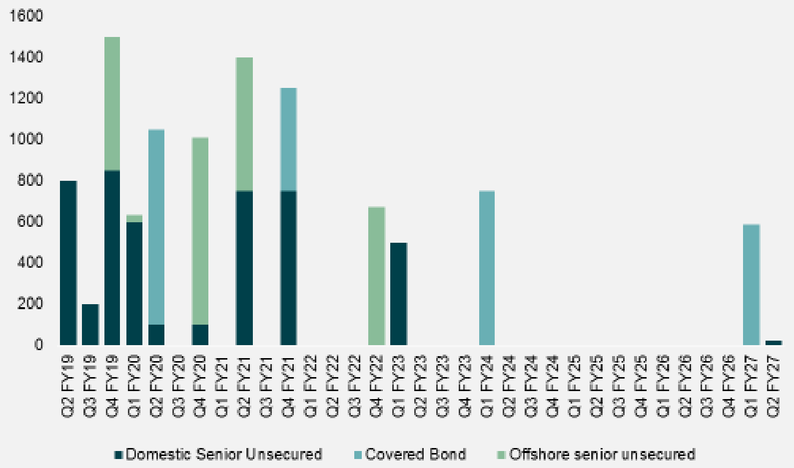




Source: Latest peer financial reports available

Long-term funding profile ($m)

– Executed $850m in term wholesale issuance over the September quarter, with a $750m 5-year covered bond and a $100m domestic private placement.



Maturity profile shown on a quarterly basis.

APPENDIX 3 - DEFINITIONS

AASB 9	AASB 9 *Financial Instruments* was issued in December 2014. It addresses recognition and measurement requirements for financial assets and financial liabilities, impairment requirements that introduce a forward-looking expected credit loss impairment model, and general hedge accounting requirements which more closely align with risk management activities undertaken when hedging financial and non-financial risks. This standard became mandatory for the annual reporting period from 1 July 2018.
Capital adequacy ratio	Capital base divided by total assessed risk, as defined by APRA.
Common Equity Tier 1 (**CET1**)	Common Equity Tier 1 capital comprises accounting equity plus adjustments for intangible assets and regulatory reserves.
Common Equity Tier 1 ratio	Common Equity Tier 1 divided by total risk weighted assets, as defined by APRA.
Credit value adjustment (**CVA**)	A capital charge that covers the risk of mark-to-market losses on the counterparty credit risk.
Equity reserve for credit losses	The equity reserve for credit losses represents the difference between the collective provision for impairment and the estimate of credit losses across the credit cycle based on guidance provided by APRA.
General reserve credit loss (**GRCL**)	The general reserve for credit losses is a reserve that covers credit losses prudently estimated but not certain to arise over the full life of all the individual facilities based on guidance provided by APRA.
Liquidity coverage ratio (**LCR**)	An APRA requirement to maintain a sufficient level of qualifying high-quality liquid assets to meet liquidity needs under an APRA-defined significant stress event lasting for 30 calendar days. Absent of a situation of financial stress, the LCR must not be less than 100%. The LCR is calculated as the ratio of qualifying high-quality liquid assets relative to net cash outflows in a modelled APRA-defined 30-day stress scenario.
Past due loans	Loans outstanding for more than 90 days.
Risk weighted assets	Total of the carrying value of each asset class multiplied by their assigned risk weighting, as defined by APRA.
Total assessed risk	Credit risk-weighted assets, off-balance sheet positions, market risk capital charge and operational risk charge, as defined by APRA.